

ACC, Ambuja Cements merger on the anvil

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Cementing forces

- The merger has been in the offing since Swiss cement major Holcim bought a controlling stake in both companies in 2013
- Getting regulatory approvals may be a challenge
- Ambuja Cements has a production capacity of 29.65 mt while ACC has an installed capacity of 33.41 mt, leading to a combined capacity of 63.06 mt
- Aditya Birla Group-owned UltraTech Cement remains the largest cement producer with an annual production capacity of 69.3 million tonnes.



Parent company LafargeHolcim weighing option as slack demand, rising costs hurt

Mumbai, May 5:

LafargeHolcim, the parent of ACC and Ambuja Cements, has formed a committee to explore the possibility of merging the two companies in a bid to beat growing competition amidst slack demand and rising costs.

The newly-formed committee will mainly comprise independent directors, who will evaluate and make a representation to the boards of the companies.

Ambuja Cements already owns a 50.05 per cent stake in ACC. Promoter group company Holderind Investments owns 4.48 per cent in ACC and a 63.62 per cent stake in Ambuja Cements.

Last November, LafargeHolcim hiked its stake in both Ambuja Cements and ACC with an investment of about Swiss Franc 325 million (₹2,202 crore).

Kamlesh Bagmar, Senior Research Analyst, Prabhudas Lilladher, said the merger would wipe out competition between the group companies and help reduce costs by reducing duplication of work.

Regulatory challenges

However, the merger will face the challenge of getting Competition Commission approval as the market share of the combined entity will breach the prescribed limits in certain regions.

Last July, Lafarge sold its entire 11-million-tonne capacity in India to detergent maker Nirma for ₹9,400 crore. Lafarge put its entire business in India on the block to clear the regulatory hurdle for the global merger with Holcim.

The Aditya Birla Group-owned UltraTech Cement remains the largest cement producer with an annual production capacity of 69.3 million tonnes (mt).

Ambuja Cements has production capacity of 29.65 mt while ACC has an installed capacity of 33.41 mt, leading to a combined capacity of 63.06 mt. Shree Cement has a production capacity of 27.2 million tonnes.

The slack demand and rising costs have forced many small regional cement companies to sell their assets.

JSW Cement recently acquired a 37 per cent stake in Shiva Cement for ₹97 crore. UltraTech is on the verge of closing a deal to acquire 17 mt capacity from the debt-ridden Jaiprakash Associates for ₹16,200 crore.

(This article was published on May 5, 2017)

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